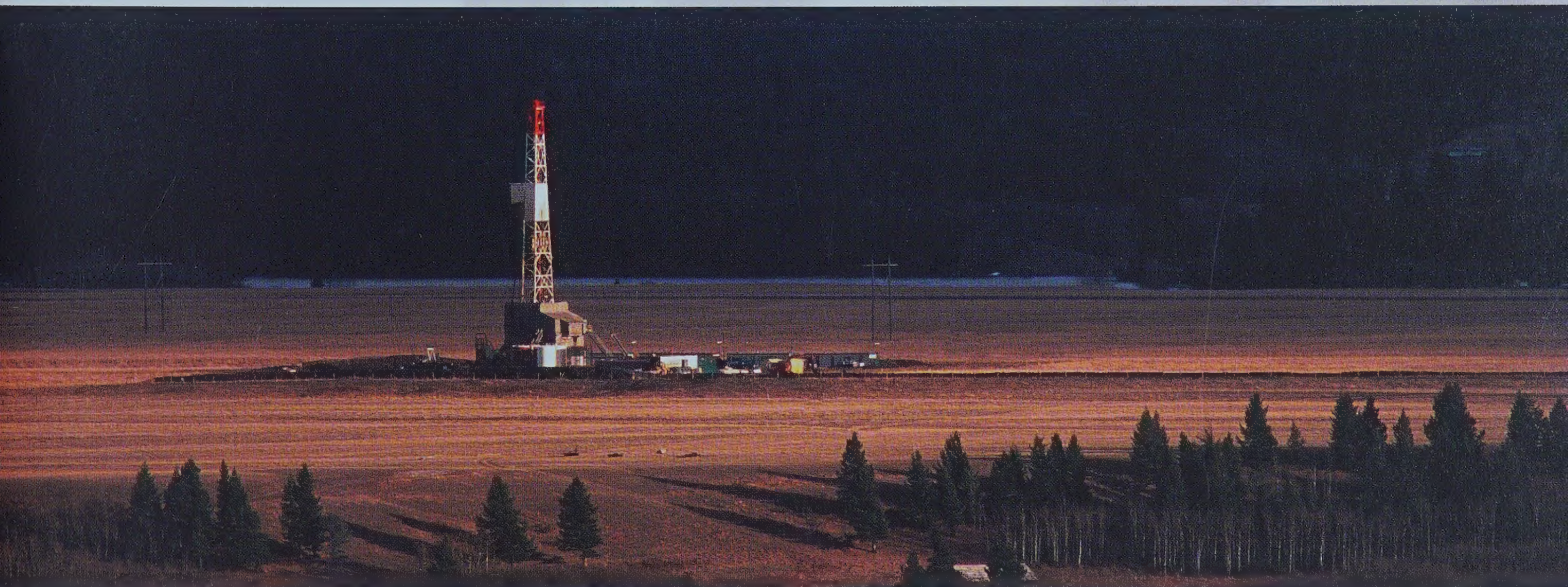
TRINIDAD DRILLING LTD.



ANNUAL REPORT 2001

Corporate
PROFILE

Proven Growth Performance

Trinidad Drilling Ltd. is a growth oriented profitable drilling and service rig contractor which provides contract drilling and workover services to the Canadian oil and gas industry. The company has a total of 12 drilling rigs and 8 service rigs - doubling its drilling fleet since July 2000 through construction of five new rigs.

The Trinidad drilling division is focused on providing modern, reliable, expertly designed equipment operated by well trained and experienced personnel.

The management team is focused on providing safe, high quality services to its customers. These strategies have allowed Trinidad drilling to build a reputation of strong operating practices and providing new, properly maintained equipment. The company is capitalizing on this performance by building long term relationships with its customers which will provide for strong utilization rates.

The Trinidad service rig division was purchased in December of 2000 and has consistently performed above industry average utilization rates. The service rig division has pursued strategies which will maintain this position by expanding its geographical operating area. In addition, the fleet has been enhanced to provide for more customer flexibility and improve operating performance. The marketing strategy has been focused to provide for high utilization and a broader customer base.

Trinidad is committed to delivering performance to its shareholders by achieving strong operating results and pursing investment strategies which provide increased shareholder value and liquidity.

Trinidad has its head office located in Calgary with its main operation base in Lloydminster. The company currently employs approximately 250 people.

Contents

Investor Advantages

- Trinidad has a proven track record of successful growth both through acquisitions and through new asset construction
- Book value per share of $2.23 highlights the value that exists in the company's shares
- A focused and experienced management team is committed to adding shareholder value
- Trinidad has competitive advantages with its modern, adaptable rigs that can perform in up to 90% of the drilling in Western Canada
- Well Servicing division has constantly outperformed industry utilization and adds diversification to Trinidad

Highlights

- Trinidad successfully doubled its drilling fleet in 2001 by completing the construction of Rigs 8 through 12
- Earnings before interest, taxes and depreciation increased 81% to $6.5 million
- Comprehensive safety program for all employees was implemented resulting in a reduction in L.T.A. frequency from 4.6 in 2000 to .49 in 2001
- New credit facilities were negotiated to provide capital to complete the construction program and fund continuing operations
- Trinidad developed a focused capital investment strategy. Every dollar of capital invested must provide a return for our shareholders by lowering our operating costs, increasing our dayrate, or creating market advantages which increase utilization
- Well Servicing division invested capital focused on adding capabilities and flexibility to the service rig fleet
- Drilling successfully crewed the new rigs completed in 2001 with well trained, experienced personnel
- Marketing focus in 2001 created new customer relationships and expanded Trinidad's customer contracts.

Trinidad Drilling Ltd.

December 31, 2001

Performance	2001 $	2000 $
Revenue	27,207,114	13,556,763
Direct Expenses	18,379,683	8,907,373
Gross Margin	8,827,431	4,649,390
General and Administrative Expenses	2,285,567	1,039,742
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	6,541,864	3,609,648
Earnings	1,990,783	1,524,153
Cashflow	5,165,810	2,741,948
Net Book Value	22,385,708	20,332,873

Analysis

Earnings Per Share (EPS)		
Basic	.20	.25
Diluted	.20	.23
Cashflow Per Share from Operations		
Basic	.51	.44
Diluted	.51	.41
EBITDA Per Share		
Basic	.65	.54
Diluted	.65	.51
Net Book Value Per share		
Basic*	2.23	2.03
Weighted average shares of =	10,022,981	6,626,652
Diluted shares	10,022,981	7,029,077

**Based on shares outstanding at year end.*

Letter
TO SHAREHOLDERS

Corporate Review

Trinidad emerges from 2001 as a company that has successfully built critical mass in the drilling business. We have, through acquisition and new construction, accumulated a fleet of 12 drilling rigs and 8 service rigs. The company has managed this growth by focusing on efficient investment of capital, maintaining low operating costs and building customer relationships. We have aggressively pursued operational strategies that provide lower drilling costs for oil and gas operators. This strategy of providing operational savings to the operator is building customer relationships that will provide Trinidad with higher utilization and a broader customer base.

During 2001 Trinidad received approval from the TSE (Toronto Stock Exchange) to purchase, through the facilities of the TSE, up to 500,000 (5%) of its common shares between November 30, 2001 and November 29, 2002. Trinidad believes that recent market prices for its shares do not accurately reflect their value. As a result shares may be available, at certain times, at prices which make them an attractive investment. The purchase of shares through the issuer bid will benefit the remaining shareholders of Trinidad by increasing the net asset value of the company's shares.

Trinidad emerges from 2001 as a company that has successfully built critical mass in the drilling business

Strategic Outlook

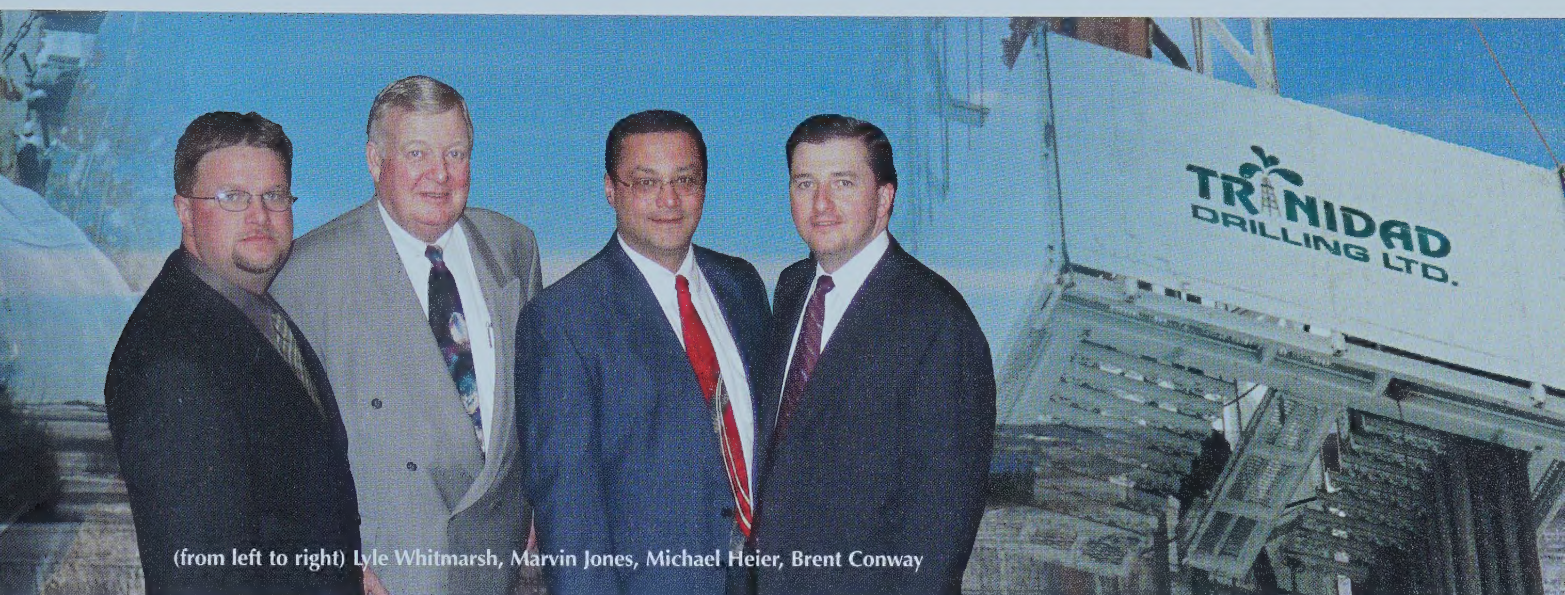
We are entering a new phase in the evolution of Trinidad. We have been focused on the design and construction of new rigs, recruiting experienced personnel and developing our customer base. Our strategy going forward is to use the foundations we have created to generate strong operating results and increase shareholder value.

Our goal at Trinidad is to out perform the market. We strive to be above industry average both in terms of utilization and dollars per drilling day. Trinidad will achieve these goals while operating efficiently and safely to the benefit of our shareholders and our employees. We will continue to evaluate acquisition or merger opportunities that are accretive and create value for our shareholders.

Safety

Trinidad enjoyed exceptional success in 2001 with respect to safety. We successfully implemented a company wide safety program for all employees. The program focuses on education and training and rewards employees for safe work practices. As a direct result of this program and the hard work of our dedicated employees we achieved our C.O.R. (Certificate of Recognition).

During 2001 we also successfully reduced our L.T.A. (Lost-time-accident) frequency to .49 from 4.6 in the year 2000. This L.T.A. frequency rate put Trinidad at the top of the industry in terms of safety performance. Trinidad's industry recognized safety performance provides benefits to both our employees and our shareholders.



(from left to right) Lyle Whitmarsh, Marvin Jones, Michael Heier, Brent Conway

Industry Outlook

The activity levels for Trinidad depend on several industry conditions including oil and gas commodity prices. Current industry pricing forecast and anticipated drilling activity of approximately 14,000 wells would suggest that 2002 will see a decrease in overall demand for drilling services of approximately 25%.

Trinidad is well positioned to succeed in these challenging market conditions. We are focused on operating margins and operating cost controls. Trinidad's drilling fleet is among the newest in the industry, providing the company with lower maintenance costs and operating expenses. Finally, we have the management experience and customer relationships to perform in a challenging pricing environment.

As commodity prices and market conditions improve Trinidad will act quickly to capture market opportunities as they become available.

Acknowledgement

Trinidad Drilling is continuously striving to provide quality equipment, exceptional service and safety leadership. We are very proud of the performance of our operating divisions.

The strong performance of Trinidad and the exceptional growth we have achieved is a direct result of the talents and dedication of our employees.

We would like to thank our employees for their continued efforts and commitment to the company and to our directors and shareholders for their ongoing support.

Michael E. Heier
Chairman and C.E.O.

Marvin J. Jones
President

Operations

DRILLING

Rig Depth Capabilities (metres)

Depth	# of Rigs	% of Fleet
0 – 1000	2	16
1001 – 2000	5	42
2001 – 3000	5	42
TOTAL	12	100

Trinidad Drilling is market driven. We respond to the needs of our customers and changes that occur in the drilling industry. We have constructed our rigs using designs that allow them to be adaptable. Trinidad reviews capital projects from the principle that they need to add value. Every investment project is

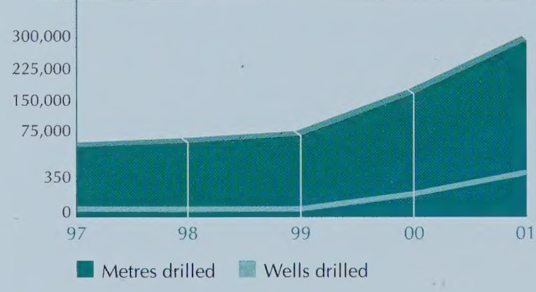
We provide modern adaptable rigs which are properly maintained to provide quality equipment to our customers.

Operations

Trinidad's operations in 2001 were expanded significantly with the completion of Rigs 8 - 12. The company completed rig construction in the third quarter of 2001 and successfully recruited experienced personnel. Our personnel came to Trinidad because of Trinidad's quality equipment and strong management with proven operational experience. The company believes that one of the keys to its success is the quality of its personnel. Management is committed to maintaining an experienced and motivated work force.

Trinidad's operating practices are based on the 45+ years of field experience of our senior management. Management is committed to providing personnel with training and education to ensure that the company's operating philosophy is communicated and understood. The goals and operating strategy for Trinidad are quite simple: we strive to deliver the best quality equipment operated by well trained, experienced personnel. By following this strategy we reduce downtime for our customers and increase the efficiency of our drilling services.

METRES & WELLS DRILLED



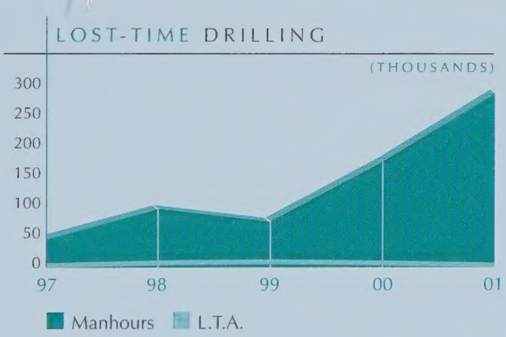
evaluated by how it creates value for Trinidad's shareholders. Specifically, each dollar we invest must decrease our operating expenses, increase our dayrate, or provide a competitive advantage which generates higher utilization.

Trinidad's proven operational performance has allowed the company to develop mutually beneficial relationships with some of the most active oil and gas companies. These relationships will provide Trinidad with increased stability and promote profitability.

Trinidad Market Driven Investments

- Installation of a 150 ton top drive in a P-300 Rigmaster unit.
- Construction of three new 500hp. Triplex mud pumps.

- Four P-500 units received substructure and rotary equipment upgrades.
- Replacement of two boilers
- Placed in service one new hydraulic pipe tub
- Complete refurbishment of 2500 Failing rig package



Safety

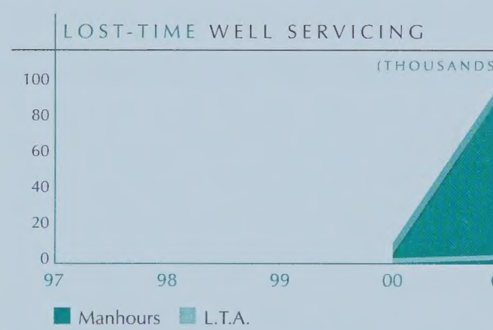
As part of Trinidad's continuing emphasis on safety the company employs a Safety Manager who reports to senior management and has direct access to the president of the company.

2001 marked a milestone in safety for Trinidad Drilling as the company earned its Certificate of Recognition (C.O.R.). This resulted in a drop of the company's Lost Time Accident Frequency (L.T.A.) record to .49.

With Trinidad drilling throughout the four western provinces it is imperative that consistent safety principles are upheld. To achieve this end regular on site safety meetings and training seminars are held to ensure that all personnel are kept informed and that everyone within the company continues to work toward exceeding all applicable regulatory and safety requirements.

Environmental

Trinidad Drilling supports all efforts to minimize the impact of its operations on the



environment and responds to the concerns of the government, the general public and its employees regarding its activities.

Incorporated environmental protection measures have been included into regular procedures for equipment, site inspections and waste disposal. Trinidad promotes the use of environmentally friendly products and has implemented procedures aimed at minimizing the impact of its operations on the environment.

Trinidad Drilling's operating practices comply with provincial standards for oilfield waste management. These standards are communicated to our personnel to ensure that they are aware of Trinidad's expectations with respect to the environment.

Operations

WELL SERVICING

The Trinidad Drilling Well Servicing division (Progressive Well Servicing) completed its first full year of operations as part of Trinidad. The Well Servicing division, which is based in Lloydminister, has focused in 2001 on building capacity, equipment capabilities and an enhanced marketing strategy. This past year

Well Servicing focused on adding capacity and increasing the operating capabilities of the fleet in 2001.

presented tough market conditions for the Well Servicing division. The heavy oil differential grew substantially to a peak of $18 dollars US/bbl during 2001 and the entire industry saw reduced activity. The Well Servicing division still outperformed the industry in terms of utilization despite being focused in the heavy oil region of Lloydminister.

Operations

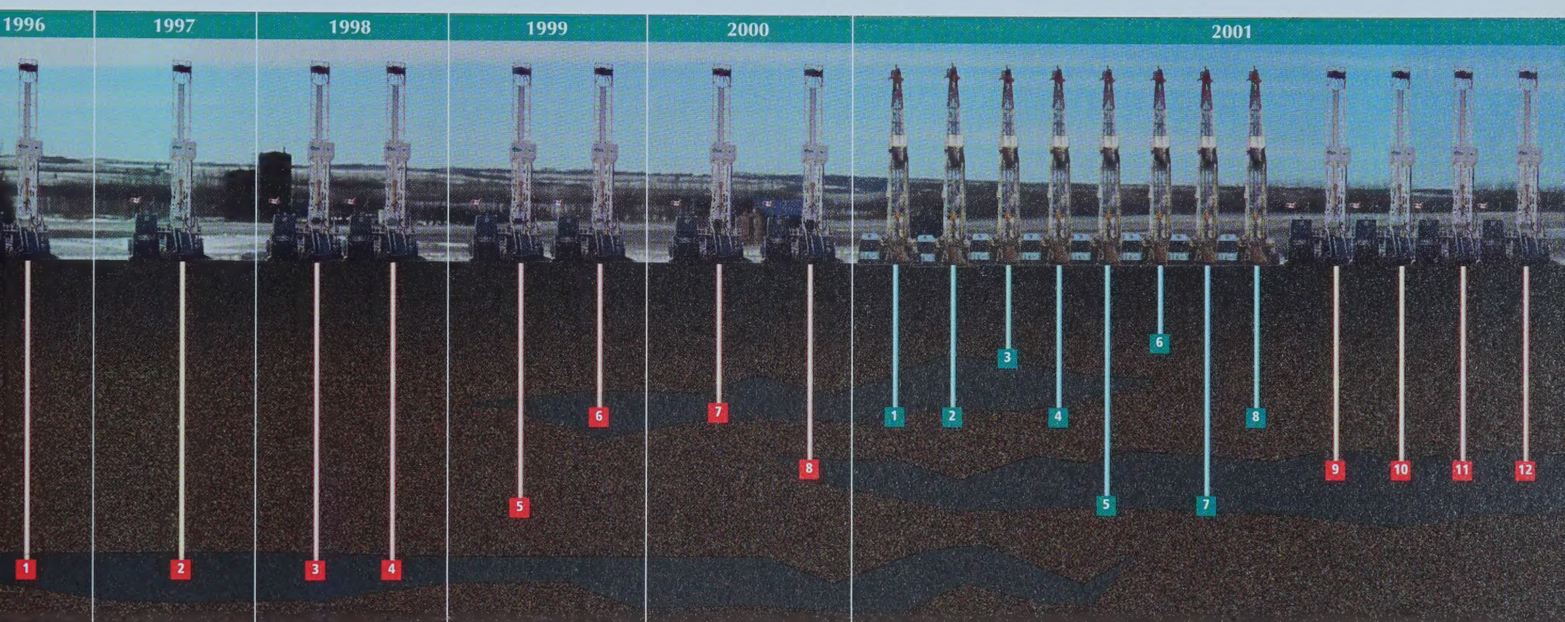
In 2001 the Well Servicing goals were to improve the capabilities of the service rig fleet. A preventative maintenance program was implemented to reduce downtime and increase operational performance. Enhancements were made to the entire fleet including the addition of free standing rigs which reduced costs for the operator. Equipment additions were made and rig capabilities increased to provide more operational flexibility. Well Servicing will continue to look for methods that allow them to decrease operating costs. With increased pressure on rates and the forecasted decrease in activity for 2002 control of operating costs will be important to ensure margins are maintained.

Marketing

Well Servicing has been very successful in building and maintaining strong relationships with its customers. During 2001 Well Servicing focused on broadening the scope of its marketing effort to pursue activity in other operating areas. The success that was achieved in 2001 in terms of utilization as compared to industry is a direct result of a consistent marketing effort from the Well Servicing group. We have successfully added depth to our customer base and expanded our market potential during 2001.

Safety

The Well Servicing group is committed to performing their services in a consistently safe manner. Well Servicing successfully achieved its C.O.R. (Certificate of Recognition) during 2001. A Well Servicing safety committee was also established with senior management representation to highlight our commitment to safety. We will continue to employ safety initiatives and provide the resources needed to promote safe work practices for the benefit of our employees, customers and our shareholders.



Drilling Rigs

RIG	TYPE	MANUFACTURER	RATED DEPTH (m)
1	Heavy Double	Rigmaster	2,800
2	Heavy Double	Rigmaster	2,800
3	Heavy Double	Rigmaster	2,800
4	Heavy Double	Rigmaster	2,800
5	Triple	TMS	2,500
6	Single	George E. Failing	1,000
7	Single	George E. Failing	1,000
8	Super Single	Rigmaster	1,800
9	Super Single	Rigmaster	1,800
10	Super Single	Rigmaster	1,800
11	Super Single	Rigmaster	1,800
12	Super Single	Rigmaster	1,800

Service Rigs

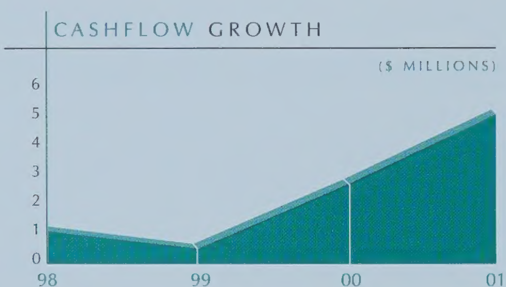
RIG	TYPE	MANUFACTURER	RATED DEPTH (m)
1	Double/Single	Cardwell Mainland	1,500
2	Double/Single	Cardwell Mainland	1,500
3	Single/Single	Uniflex	800
4	Double/Single	Cardwell Mainland	1,500
5	Double/Single	Franks	2,000
6	Single/Single	Franks	1,200
7	Double/Single	Sky Top Brewster	2,000
8	Double/Single	Cooper	1,500

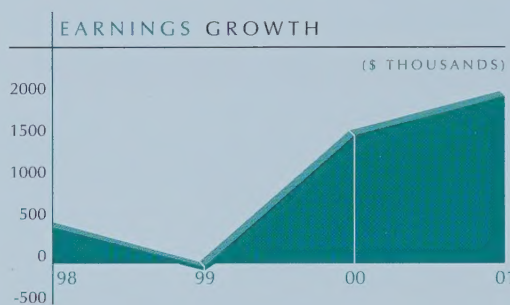
Management's

DISCUSSION AND ANALYSIS

The following discussion and analysis is based on the company's consolidated financial statements which were prepared in accordance with Canadian generally accepted accounting principles. The discussion of financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes contained on pages 16 through 23 of this report.

Each capital investment Trinidad makes must improve our day rate, decrease operating costs, or provide a competitive advantage which increases utilization.





Overview

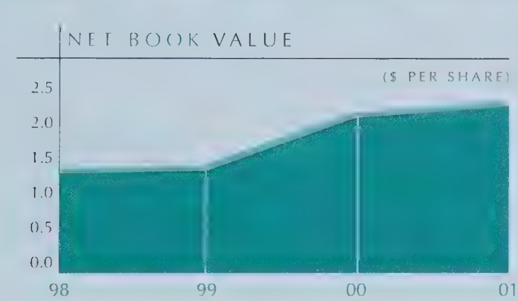
During 2001 we saw a shift in market conditions for the oil and gas service sector. Commodity prices for both oil and gas were lower due to a weaker US economy and reduced demand. The record earnings and cashflow which were enjoyed by E&P companies during 2000 were reduced significantly with the reduction in cashflow for 2001. This, combined with decreased levels of investor interest in the oil and gas sector as a whole, caused access to capital to become tighter. The industry also saw a continuation of mergers and acquisitions during 2001 which had a detrimental effect on field activity and drilling programs. The result of these factors was a reduction in market activity towards the latter half of 2001 and this trend is forecasted to continue in 2002.

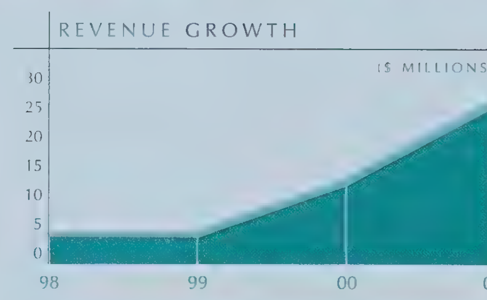
Trinidad has responded to these changing market conditions with several different initiatives. Trinidad emerged from 2001 as a company that delivered on its IPO promise of growth. The company has successfully created critical mass in the drilling business and achieved our goals with the completion of Rig #12 and our construction program. Trinidad also added diversification to the company with the first year of performance from our Well Servicing division.

With the construction program completed Trinidad is now focused strictly on delivery of operational performance and financial results.

To accomplish these goals we have pursued strategies to maximize rig utilization and reduce our operating costs. We have successfully added depth to our customer list and responded to the needs of our customers by delivering well designed equipment with flexible operating capabilities. We have successfully recruited experienced field personnel who are evaluated and rewarded for their operational and safety practices.

Capital investment is driven by our customers' requirements and Trinidad's goal of continually improving operational performance. Each investment dollar we spend must improve our dayrate, reduce our operating costs or provide for higher utilization. By strictly following these guidelines we ensure that we will continue to generate strong results and create value for our shareholders.





Results of Operations

Trinidad experienced an increase in both revenues and earnings in 2001. Revenue increased to $27,207,114 compared to $13,556,763 in 2000, (forecasted 2001 = $27,796,655), representing an increase of $101% from the prior year. EBITDA increased to $6,541,864 from $3,609,649 in 2000, (forecasted 2001 = $9,093,301), for an increase of 81%. These increases were achieved in 2001 by the completion and utilization of assets which were constructed in 2000 and 2001. In addition 2001 reflects a full year of operating activity of the Well Servicing division. The reduction in actual EBITDA from the forecast was the direct result of lower operating dayrates and lower than expected utilization caused by delays in the completion of the company's construction program. Dayrates were lower than what was originally forecasted due to lower commodity prices and decreased field activity from what was originally forecasted by the CAODC.

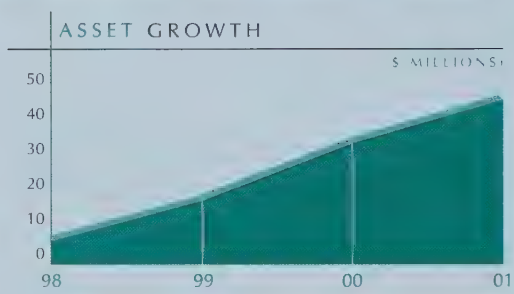
Cashflow and Earnings

Earnings increased to $1,990,783 or $.20 per share for the year ending 2001 as compared to the prior year of $1,524,153 or $.23 per share, (forecasted 2001 = $3,515,274, or $.35 per share). This represents an increase in earnings of 31% from the prior year. Cashflow, excluding changes in working capital for the year ended 2001 increased to $5,165,810 or $.51 per share as compared to $2,741,948 or $.41 per share in 2000, (forecasted 2001 = $7,497,429 or $.91 per share). The increases in earnings which were achieved in 2001 were a result of the growth in assets from the company's construction program and the contribution of the Well Servicing division. Earnings and cashflow were lower as a result of the reduction in commodity prices which occurred in 2001. The market activity was slower than expected causing an overall reduction in utilization and dayrates. In addition, labour costs increased in the latter part of 2001 and increased the company's operating expenses. Trinidad will continue with its strategy of investing in assets which are constructed for high operational efficiency. These assets are designed to provide competitive advantages; lower operating costs, and generate high utilization.

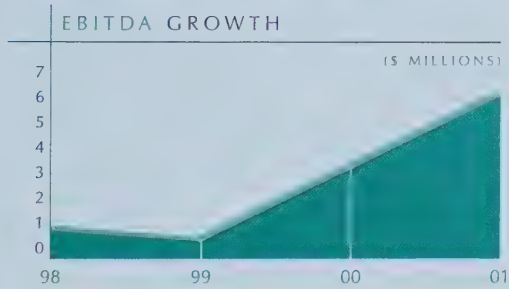
With the construction program complete, Trinidad Drilling's go-forward strategy is operational and financial performance

Operating Costs and Expenses

Operating costs and expenses for the year ended 2001 increased to $18,379,683 as compared to $8,907,373, (forecasted 2001 = $17,089,288). The increase of 106% over the prior year is directly related to the increase in sales volume. Operating expenses increased, compared to the prior year, due to increases in labour costs. Trinidad has successfully implemented a comprehensive preventative maintenance program in 2001 to address maintenance costs. The preventative maintenance program combined with Trinidad's new drilling fleet will allow the company to lower operating expenses as a percentage of revenue as field activity increases.



General and administrative expenses were 8.4% of revenue as compared to 7.7% for the prior year (forecasted 2001 = 6%). General and administration expenses increased commensurate with the company's growth in revenues and assets. Expenses which increased during 2001 included insurance and staffing



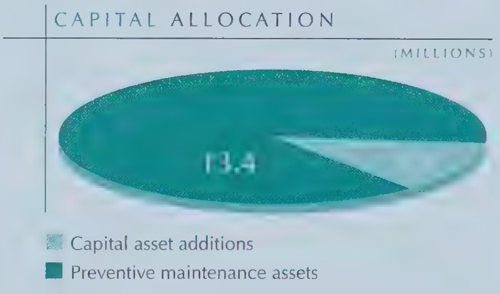
costs which were required due to the company's growth in operations.

Income Taxes

Trinidad's effective tax rate for 2001 was 42.25% as compared to 20.08% for the year ended 2000. The increase was caused primarily by a lower than expected tax rate in 2000. This was the consequence of lower tax rates which bacame substantively enacted that year. The result was an increase in the company's future tax liability of $1,323,247. Capital taxes increased to $134,742 in 2001 from $47,751 in the prior year due to the increase in the company's capital asset base.

Investment

During 2001 Trinidad made significant additions to the capital base of the company.



Trinidad's goals of developing critical mass in the drilling industry were achieved in 2001 with the completion of our construction program. The company's capital assets grew to $38,658,044 in 2001 from $28,844,452 in the prior year. This represents a 34% increase in capital assets for 2001. Trinidad made these additions using a focused capital investment strategy. Trinidad invests capital to provide competitive advantages, reduced operating costs and provide for high asset utilization.

Liquidity and Capital Resources

Trinidad's capital requirements for 2001 were caused by the construction of Rig #11 and #12 which were completed during the year. Trinidad successfully re-negotiated its credit facilities with the Estevan Credit Union in 2001 into a consolidated term loan of $9.2 million and a revolving capital loan of $8.5 million. In addition the company's line of credit was increased to the lessor of $5.5 million or 75% of accounts receivable. These changes represent an increase in borrowing capacity of $10.1 million. Future cash needs for debt servicing, capital asset additions and working capital requirements will be funded by operational cashflow.

Trinidad's drilling fleet is among the newest in the industry, providing Trinidad with lower operating and maintenance costs

Risk Factors and Risk Management

The demand, prices and terms for most of our services depend upon the level of activity in the Canadian oil and gas industry. The industry, in turn, depends upon many cyclical factors, such as:

- oil and gas prices, including expectations about future prices
- costs of exploring for, producing and delivering oil and gas
- expected rates of production decline
- discovery of new oil and gas reserves
- availability of financing
- availability of transportation capacity such as pipelines
- worldwide, North American and Canadian weather conditions

Our operations are also subject to hazards inherent in the oil and gas industry. These include explosions, fires and spills that may cause personal injury or loss of life; damage to or destruction of property, equipment, reservoirs and the environment; as well as interruptions to the operations and claims for most production or damages.

We manage these risks with a five-pronged approach.

1. **Client satisfaction and relationship building.** We recognize that the success of any drilling company is based on high levels of customer satisfaction and strong business relationships. With our up-to-date fleet of rigs, Trinidad can complete wells with significant overall cost savings compared to wells completed with older rigs. We, in turn, are able to pass these savings on to the customer. In addition, we strive to hire top quality people. These high-calibre employees are integral to our strategy of developing an understanding of each

specific customer's needs and then tailoring innovative, practical and cost-effective solutions to meet these needs. Feedback is provided on a regular basis by internal performance evaluations, including feedback from customers, which assists us in assessing how well the objectives are being met.

2. **Adoption and implementation of technology**. The drilling industry is constantly evolving through advances in technology, which translate into cost savings and production and performance improvements. We continuously monitor the industry to keep pace with and implement appropriate technological advances. In addition, we strive to promote and develop internal advances, some of which may be proprietary in nature. Trinidad's rigs and historical utilization record attest to this.

3. **Creation of economic efficiencies.** We recognize that having top-calibre employees and high-quality equipment are important building blocks for a successful drilling company. Effective management also involves creating the optimum blend of equipment utilization and revenue streams to reap maximum economic returns. Such planning underlies all of our operations.

4. **Emphasis on growth and diversification.** As part of a growth strategy, we evaluate acquisition and construction opportunities to add quality rigs to the fleet. The ability to acquire or construct rigs for our fleet is constrained by Trinidad's ability to finance such acquisitions, the availability of drilling contracts, and the ability to purchase rigs at acceptable prices. In addition to rig acquisition and construction opportunities, Trinidad will consider acquiring and constructing assets to develop lines of business that compliment our current operations.

5. **Safety.** We have made safety a focus in all aspects of our operations. In addition to protecting the well-being of employees, a safe workplace increases employee efficiency and prevents costly downtime from injuries as well as worker's compensation and other claims. We foster a safe work environment through our safety program, which includes training for employees, regular maintenance of equipment and routine safety inspections.

Trinidad will continue to evaluate acquisition or merger opportunities that are accretive and create value for our shareholders

Trinidad protects its shareholders and the financial position of the company by carrying public liability insurance. This provides coverage for damage to, or destruction of, company owned assets and the replacement or repair of those assets at the company's replacement costs.

Outlook

Industry activity is forecasted to decrease in 2002 to approximately 14,000 wells drilled. The industry has exited 2001 with low commodity prices and lower producer cashflows which have a negative impact on drilling activity. Trinidad is well positioned to succeed in these challenging market conditions. The company is focused on operating margins and cost control. Trinidad's drilling fleet is among the newest in the industry which provides the company with lower operating costs. Finally, the company developed customer relationships from consistent high operational performance which will support strong utilization rates. Drilling activity is expected to improve later in 2002 predicated on stronger commodity prices. Trinidad, with its modern, well designed equipment and proven operational performance, allows the company to capture market opportunities and perform in varying market conditions.

Western Canadian Drilling Activity

	1996	1997	1998	1999	2000	2001	2002(e)
Number of wells drilled (completion basis)	12,695	16,484	9,744	10,605	16,485	17,945	13,609
Total metres drilled (000's)	14,058	18,260	12,078	11,434	17,633	19,040	
Average well depth (metres)	1,107	1,108	1,240	1,078	1,070	1,061	
Average industry rig utilization	59%	72%	45%	40%	55%	53%	45%

Source: CAODC

Management's Report

Management is responsible for the preparation of the financial statements and the consistent presentation of all other financial information in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and the relevant and reliable information is produced in a timely manner.

External auditors, appointed by the shareholders, have examined the financial statements. Their report is presented below. The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

Marvin J. Jones
President
February 15, 2002

Brent J. Conway
Chief Financial Officer

Auditors' Report

To the Shareholders of Trinidad Drilling Ltd.

We have audited the balance sheets of Trinidad Drilling Ltd. as at December 31, 2001 and 2000 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted audit standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 15, 2002

Balance Sheet

AS AT DECEMBER 31

	2001 $	2000 $
Assets		
Current Assets		
Cash	624,981	1,477,891
Accounts Receivable	4,396,334	4,080,155
Inventories	412,745	245,457
Prepaid expenses	65,015	71,665
	5,499,075	5,875,168
Capital assets (note 4)	38,658,044	28, 844,452
	44,157,119	34,719,620
Liabilities		
Current Liabilities		
Operating line of credit (note 5)	1,504,969	1,114,993
Accounts payable	1,171,647	3,581,113
Current portion of long-term debt (note 6)	3,897,354	1,288,000
	6,573,970	5,984,106
Long-term debt (note 6)	12,358,615	6,886,770
Future income taxes (note 7)	2,838,826	1,515,871
	21,771,411	14,386,747
Shareholders' Equity		
Capital stock (note 8)	18,040,370	17,978,318
Retained earnings	4,345,338	2,354,555
	22,385,708	20,332,873
	44,157,119	34,719,620

Michael E. Heier
Director

Kevin Bennett
Director

OF OPERATIONS

	[illegible]	Year ended December 31, 2000 $
Revenue		
Operating	27,207,114	13,556,763
Expenses		
Operating	18,379,683	8.907,373
General and administrative	2,285,567	1,039,742
	20,665,250	9,947,115
	6,541,864	3,609,649
Depreciation and amortization	1,851,780	882,402
Interest	1,241,312	819,949
Income before income taxes	3,448,772	1,907,297
Income taxes (note 7)		
Current	134,742	47,751
Future	1,323,247	335,393
	1,457,989	383,144
Net Income	1,990,783	1,524,153
Retained earnings-Beginning of year	2,354,555	830,402
Retained earnings-End of year	4,345,338	2,354,555
Earnings per share		
Basic	0.20	0.25
Diluted	0.20	0.23

Statement

OF CASH FLOWS

	Year ended December 31, 2001 $	Year ended December 31, 2000 $
Cash provided by (used in)		
Operating activities		
Net income for the year	1,990,783	1,524,153
Items not affecting cash		
Depreciation and amortization	1,851,780	882,402
Future income taxes	1,323,247	335,393
Operating cash flow	5,165,810	2,741,948
Net change in non-cash operating working capital (note 11)	(1,168,420)	(1,412,323)
	3,997,390	1,329,625
Investing Activities		
Increase in capital assets	(11,665,372)	(13,888,854)
(Decrease) / Increase in capital accounts payable	(1,718,155)	1,718,155
	(13,383,527)	(12,170,699)
Financing Activities		
Increase in operating line of credit	389,976	515,015
Proceeds from long-term debt	18,467,000	3,270,000
Payments on long-term debt	(10,385,801)	(3,241,024)
Issuance of share capital (net of issue costs of $3,330 & 2000 - $1,191,713)	62,052	9,446,718
Issuance of special warrants (net of issue costs of $54,145)	–	1,789,256
	8,533,227	11,779,965
(Decrease) / Increase in cash for the year	(852,910)	938,891
Cash - Beginning of year	1,477,891	539,000
Cash - End of year	624,981	1,477,891
Operating cash flows per share		
Basic	0.51	0.44
Diluted	0.51	0.41
Supplemental information (note 11)		

**Cash includes cash and highly liquid short term investments.*

1. Nature of operations

Trinidad Drilling Ltd. (the "company") is an oil and gas well drilling and service company and is incorporated under the Business Corporations Act of Alberta and is registered extra-provincially in Saskatchewan, Manitoba, British Columbia and the Northwest Territories.

2. Significant accounting policies

a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

b) Revenue recognition

Contract revenue is recorded on a percentage of completion basis. Losses are provided for in full when first determined.

c) Inventory

Inventory of spare parts and tubulars is carried at the lower of cost and replacement value. Cost is determined according to the specific item method.

d) Capital assets

Capital assets are recorded at cost. Drilling rig equipment is depreciated on the unit-of-production method based on 3,300 drilling days (estimated salvage value of 10%). Drilling pipe and collars are depreciated on a unit-of production method based on 1,300 drilling days (without salvage value). Office furniture and shop equipment is depreciated on a straight-line basis over five years. Automotive equipment is depreciated on a straight-line basis over four years (estimated salvage value of 10%). Service rigs are depreciated on a straight-line basis over 15 years (estimated salvage value of 20%).

e) Financial instruments

The company's financial assets and liabilities consist of cash and short-term deposits, accounts receivable, accounts payable, operating line of credit and long-term debt. It is management's opinion that the company is not exposed to significant interest, currency, or credit risks other than debt which varies with prime and for a 1% change in prime, earnings would be affected by approximately $100,000. The fair values of these financial assets and liabilities approximate their carrying values, unless otherwise noted.

f) Per share data

Earnings per share and operating cash flow per share are calculated using the weighted-average number of common shares outstanding during the year. Diluted calculations have been completed using the treasury method in accordance with Canadian generally accepted accounting principles.

g) Stock-based compensation plan

The company has a stock-based compensation plan, which is described in note 8. No compensation expense is recognized for this plan when stock options are issued to participants. Any consideration paid on exercise of stock options is credited to share capital.

h) Income taxes

The company follows the liability method of accounting for income tax in accordance with the Canadian Institute of Chartered Accountants standard. Under this method, income tax liabilities and assets are recognized for estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax basis, using substantially enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period that the change occurs.

i) Reclassifications

Certain reclassifications have been made to prior period's figures to conform with the current presentation.

3. Asset acquisitions

On December 15, 2000, the company acquired the assets of a well servicing company for cash of $4, 167,756 made up of 8 service rigs complete with auxiliary equipment.

4. Capital assets

	Cost $	Accumulated Depreciation $	2001 Net Book Value $	2000 Net Book Value $
Rigs and equipment	41,902,873	3,717,328	38,185,545	25,454,644
Capital work-in progress	–	–	–	2,975,200
Automotive and other equipment	603,222	130,723	472,499	414,608
	42,506,095	3,848,051	38,658,044	28,844,452

5. Operating line of credit

The company has a demand operating credit facility for the lesser of 75% of accounts receivable and $5,500,000, which is payable on demand and bears interest at prime plus 1% per annum (December 31, 2001 – prime rate 4%). Advances are made under this credit facility based on trade receivables, and the loan is secured by a charge over accounts receivable.

6. Long-term debt

	2001 $	2000 $
Estevan Credit Union	–	7,619,400
G.E. Capital (a)	380,754	555,370
Capital Term Loan (b)	8,166,663	–
Revolving Capital Loan (b)	7,708,552	–
	16,255,969	8,174,770
Less: Current portion	(3,897,354)	(1,288,000)
	12,358,615	6,886,770

a) Loan is secured by Rig 6, bears interest at prime plus 1.75% and is repayable in monthly payments of $18,310 including interest, maturing October 2003.

b) During 2001 the company restructured its credit facilities with the Estevan Credit Union as follows:

i) The Capital Term Loan facility provided financing to the company of $9,166,665. The facility bears interest at prime plus 1.5% and is repayable at $166,667 per month plus interest. The facility matures in March of 2006 and is secured under a general security agreement covering the company's assets.

ii) The Revolving Capital Loan is available to the company in the amount of $8,500,000. The facility bears interest at prime plus 1.5% and is repayable at $141,700 per month plus interest. The facility matures in August of 2006 and is secured by a general security agreement covering the company's assets.

Long-term debt is estimated to be repayable annually as follows:

	$
2002	3,897,354
2003	3,891,450
2004	3,700,404
2005	3,700,404
2006	1,066,357

7. Income taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined Federal and Provincial corporate income tax rate of 41.12% (December 31, 2000 – 45.40%) to future taxable income as follows:

7. Income taxes (continued)

	2001 $	2000 $
Net Income before tax	3,448,772	1,907,297
Tax expense at statutory rate	1,452,623	865,913
Effect of change in expected tax rate	(129,376)	(536,387)
Large corporation tax expense in excess of surtax	134,742	47,751
Other expenses	–	5,867
Total tax expense	1,457,989	383,144

The liability for future income taxes on the company's balance sheet is comprised of the following temporary differences:

	2001 $	2000 $
Net book value in excess of undepreciated capital cost of assets	3,120,182	1,954,570
Tax benefit related to financing costs	(281,356)	(438,699)
Future income tax liability	2,838,826	1,515,871

8. Capital stock

Authorized

Unlimited number of common shares, voting, participating

Unlimited number of preferred shares

Issued and outstanding

	2001		2000	
	Number of shares	Amount $	Number of shares	Amount $
Common Shares-opening balance	9,994,839	17,978,318	4,840,499	6,284,726
Common shares issued for cash consideration	–	–	4,296,944	10,438,430
Common shares issued on conversion of warrants	–	–	857,396	1,811,926
Common share issue costs (net of tax effect)	–	–	–	(756,764)
Common shares issued for options exercised	41,010	62,052	–	–
Subtotal	10,035,849	18,040,370	9,994,839	17,778,318
Special warrants issued for cash consideration, net of issue costs of $31,476 (net of tax effect)	–	–	857,391	1,811,926
Special warrants converted to common shares	–	–	(857,391)	(1,811,926)
Warrants issued with public offering (2,000,000 warrants exercisable at a price of $3.00 with an expiry date of December 14, 2001).	–	–	–	200,000
Total capital stock	10,035,849	18,040,370	9,994,839	17,978,318

8. Capital stock (continued)

Stock option plan

The company's Stock Option Plan provides for stock options to assist directors, officers, employees and consultants of the company and its affiliates to participate in the growth and development of the company.

Subject to the specific provisions of the Stock Option Plan, eligibility, grant, terms of options and the number of options are to be determined by the Board of Directors at the time of the grant. Prior to the completion of an Initial Public Offering (an "IPO") by the company, all options shall vest immediately, shall be exercisable during the period commencing from the date of grant and ending on the date which is three years after the completion of the IPO and will have an exercise price not less than the most recent common share issue price at which common shares were issued from treasury preceding the date of the grant of the options. All options issued subsequent to an IPO shall vest in equal proportions over a period of three years from the date of grant, shall be exercisable for a period of five years from the date of grant and will have an exercise price not exceeding the closing trading price for the common shares on a Canadian stock exchange on the date immediately preceding the date of grant and not less than the price permitted by applicable securities law.

The following table sets out stock options that have been granted since the adoption of the Stock Option Plan and are still outstanding:

	2001		2000	
	Number of options	Weighted-average Exercise price	Number of options	Weighted-average Exercise price
Outstanding – Beginning of year	450,000	1.75	275,001	1.50
Granted during the year	331,937	2.25	174,999	2.15
Exercised during the year	(41,010)	1.59	–	–
Outstanding – End of year	740,927	1.97	450,000	1.75

Grant Date	Options outstanding		Options exercisable	
	Options outstanding	Weighted-average Exercise price	Options exercisable	Weighted-average Exercise price
July 23, 1999	239,941	1.50	239,941	1.50
April 12, 2000	169,049	2.15	169,049	2.15
May 4, 2001	331,937	2.25	165,969	2.25
Total	740,927	1.97	574,959	1.89

Pursuant to the terms of the company's Stock Option Plan, the options issued prior to the IPO which were granted on July 23, 1999 and April 12, 2000, vested at the time of the grant and are exercisable during the period commencing from the date of grant and ending on the date which is three years after the completion of the IPO on October 11, 2000. The options granted in 2001 vest 50% immediately and 25% on the anniversary of the grant date over two succeeding years.

9. Lease obligations

The company has several operating lease agreements on buildings and equipment. The future lease obligations for the next five years are summarized below:

	$
2002	350,046
2003	304,066
2004	282,905
2005	282,905
2006	282,905
	1,502,827

10. Related parties

The company has business transactions with related parties by virtue of common shareholders and directors. The company conducts capital and operating activities with these parties. In the opinion of management, these transactions are made at prevailing market prices and settled on normal trade terms. The related party balances and transactions are summarized below:

	2001 $	2000 $
Accounts receivable	305,958	135,493
Accounts payable	7,671	50,429
Revenues	955,446	613,157
Expenses	426,820	403,832
Capital asset purchases	–	741,825
Net change in long-term debt	–	(2,310,000)

11. Supplemental information

Change in non-cash operating working capital

	2001 $	2000 $
Accounts receivable	(316,179)	(2,388,560)
Inventories	(167,288)	(72,415)
Prepaid expenses	6,650	(68,679)
Accounts payable	(691,603)	1,117,331
	(1,168,420)	(1,412,323)

Cash transactions

	2001 $	2000 $
Taxes paid	81,488	58,266
Interest paid	1,234,069	804,947

These amounts are actual cash outlays made during the respective periods and will not agree with amounts reported on the financial statements due to accruals.

Five Year

SUMMARY DATA

($ except where noted)	2001	2000	1999 (5)	1998	1997
Revenue	27,207,114	13,556,763	4,624,917	4,753,592	3,142,290
Operating expense	18,379,683	8,907,373	3,304,504	3,134,775	1,805,359
Margin	8,827,431	4,649,390	1,320,413	1,618,817	1,336,931
Margin %	32%	34%	29%	34%	43%
General & administrative	2,285,567	1,039,742	546,383	294,102	212,889
EBITDA (1)	6,541,864	3,609,648	774,030	1,324,715	1,124,042
EBITDA %	24%	27%	17%	28%	36%
Depreciation	1,851,780	882,402	428,211	416,219	252,605
EBIT (2)	4,690,084	2,727,246	345,819	908,496	871,437
Interest	1,241,312	819,949	290,583	197,611	62,808
Earnings before taxes	3,448,772	1,907,297	55,236	710,885	808,629
Income taxes	1,457,989	383,144	103,543	280,545	289,567
Net income (loss)	1,990,783	1,524,153	(48,307)	430,340	519,062
Per share (diluted)	0.20	0.23	(0.02)	0.21	0.25
Retained earnings-end of period	4,345,338	2,354,555	830,402	878,709	448,369
Return on equity (3)	8%	12.9 %	(0.1%)	14.7%	20.8%
Cash flow from operations	5,165,810	2,741,948	463,932	1,127,104	1,058,234
Per share (diluted)	0.51	0.41	0.13	0.55	0.51
Net book value per share (basic)					
As at year end (4)	2.23	$2.03	$1.47	$1.43	$1.22
Weighted average common shares outstanding (diluted)	10,022,981	7,029,077	3,224,832	2,051,001	2,051,001
Common shares outstanding end of year (basic)	10,035,849	9,994,839	4,840,499	2,051,001	2,051,001
Financial position					
Working capital	(1,074,895)	(108,938)	(69,407)	501,379	(545,916)
Current ratio	0.83 to 1	0.98 to 1	0.97 to 1	1.54 to 1	0.74 to 1
Net capital assets	38,658,044	28,844,452	15,833,078	5,115,218	5,374,397
Total assets	44,157,119	34,719,620	18,305,699	6,554,442	6,901,928
Capital additions	11,665,372	13,888,854	10,078,287	155,679	3,323,190
Long term debt (net of current portion)	12,358,615	6,886,770	7,015,371	2,118,136	2,042,265
Long term debt to equity	0.55 to 1	0.34 to 1	0.99 to 1	0.72 to 1	0.82 to 1
Shareholders' equity	22,385,208	20,332,873	7,115,128	2,929,709	2,499,369
Number of drilling rigs owned and operated (end of period)	12	8	6	2	2
Number of service rigs owned and operated (end of period)	8	8	–	–	–
Drilling rig utilization					
Number of operating days (spud to release)	1,670	1,106	448	446	321
Utilization (operating days) as percentage of calendar days	43%	48%	34%	59%	84%
Industry utilization average per CAODC	53%	55%	40%	45%	72%
Wells drilled in western Canada	18,485	16,485	10,605	9,744	16,484

Service rig utilization - assets were acquired Dec 15, 2000 - statistical reporting will commence Jan 1, 2001.

Notes:
(1) EBITDA is earnings before interest, taxes, depreciation and amortization.
(2) EBIT is EBITDA less depreciation and amortization.
(3) Return on Equity was calculated by dividing net income by quarterly weighted average shareholders' equity.
(4) Book value per share was calculated by dividing shareholders' equity by number of common shares outstanding at end of year.
(5) 1999 data represents the 13-month period ended December 31, 1999.

Corporate
INFORMATION

BOARD OF DIRECTORS

Michael E. Heier
Calgary, Alberta

Grant D. Abbott
Calgary, Alberta

Kevin A. Bennett
Calgary, Alberta

Peter Gross
Calgary, Alberta

John M. Friesen
Steinbach, Manitoba

Wilhelm K. Moro
Riyad, Saudi Arabia

CORPORATE MANAGEMENT

Michael E. Heier
Chief Executive Officer and Chairman

Marvin J. Jones
President

Brent J. Conway
Chief Financial Officer

Lyle Whitmarsh
General Manager

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LLoydminister, Alberta

Estevan Credit Union,
Estevan, Saskatchewan

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
Calgary, Alberta

Politeski, Strilchuk and Milen
LLoydminister, Alberta

REGISTRAR & TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta
Toronto, Ontario

THE TORONTO STOCK EXCHANGE

Trading Symbols
Shares: TDG

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 3:00 p.m., M.D.T., on Thursday, May 2, 2002 at the 400 Club, 710 – 4th Avenue S.W., Calgary, Alberta. Shareholders and other interested parties are encouraged to attend.

Forward-Looking Statements

From time to time Trinidad makes written and oral forward-looking statements. These may be included in the Annual Report, filings with Canadian regulators in reports to shareholders and in other communications. These forward-looking statements include but are not limited to comments with respect to objectives and strategies, financial condition, results of operations, the outlook for the industry and risk management discussions.

By their nature these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this Annual Report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the level of exploration and development activity carried on by customers, commodity prices, weather, access to capital markets and government policies. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investors and others should carefully consider the foregoing factors as well as other uncertainties and events.

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